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OFFICE OF
INSURANCE COMMISSIONER

TECHNICAL ASSISTANCE ADVISORY
T 97-1

To: Healthcare Carriers

Subject: Assets of Health Care Service Contractors and Health Maintenance Organizations

Date: February 4, 1997

The Insurance Commissioner's staff continues to receive questions on the applicability of Chapters 48.12 and 48.13 RCW to the assets and investments of Health Care Service Contractors and Health Maintenance Organizations. This "Technical Assistance Advisory" will assist Health Care Service Contractors and Health Maintenance Organizations in the proper application of those Chapters of the Insurance Code.

RCW 48.44.010(16) and RCW 48.46.020(18) state as follows:

"Net worth" means the excess of total admitted assets as defined in RCW 48.12.010 over total liabilities but the liabilities shall not include fully subordinated debt. [Adopted and effective 1990.]

Therefore, in order for an asset of a Health Care Service Contractor or a Health Maintenance Organization to qualify in determining its net worth, the asset must comply with RCW 48.12.010. Two of the primary categories of assets defined in RCW 48.12.010: are cash [RCW 48.12.010(1)] and investments, securities, properties, and loans [RCW 48.12.010(2)]. However, not just any investment, security, property or loan will be permitted as an admitted asset. Only those investments, securities, properties, and loans which are "acquired and held in accordance with" the Insurance Code will be allowed as admitted assets [RCW 48.12.010(2)]. As a result, Chapters 48.12 and 48.13 RCW define allowable assets for Health Care Service Contractors and Health Maintenance Organizations.

The Commissioner will recognize as admitted assets only those assets which are permitted by Chapters 48.12 and 48.13 RCW in determining the net worth of Health Care Service Contractors and Health Maintenance Organizations. This position has been upheld by the Appeals Court of the State of Washington in an unpublished opinion entitled **Washington Health Services, Inc. v. Marquardt** and **Marquardt v. Washington Health Services, Inc.** dated January 6, 1992.